

BARAGA VILLAGE/KEWEENAW BAY RESERVATION  
WASTE WATER AUTHORITY

AUDITED FINANCIAL STATEMENTS

February 28, 2005

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Baraga Village/Kew. Bay Res. Waste Water Authority</b>	County <b>Baraga</b>
Audit Date <b>2-29-05</b>	Opinion Date <b>6-29-05</b>	Date Accountant Report Submitted to State: <b>10-04-05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <b>Joseph M. Daavettila, P.C., CPA</b>			
Street Address <b>417 Shelden Avenue</b>	City <b>Houghton</b>	State <b>MI</b>	ZIP <b>49931</b>
Accountant Signature <b>Joseph M Daavettila CPA</b>			

## TABLE OF CONTENTS

	Page
Independent Auditor's Report .....	3
Financial Statements:	
Statement of Net Assets .....	4
Statements Of Revenues, Expenses, and Changes In Net Assets .....	5
Statements Of Cash Flows .....	6
Notes to Financial Statements .....	7
Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards .....	13
Management Letter .....	15

**JOSEPH M. DAAVETILA, P.C.**  
*Certified Public Accountant*  
417 Sheldon Avenue, P.O. Box 488  
Houghton, Michigan 49931

June 29, 2005

Baraga Village/Keweenaw Bay Reservation  
Waste Water Authority  
Baraga, Michigan 49908

We have audited the accompanying financial statements of the Baraga Village/Keweenaw Bay Reservation Waste Water Authority as of and for the years ended February 28, 2005 and February 29, 2004. These financial statements are the responsibility of the Baraga Village/Keweenaw Bay Reservation Waste Water Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Baraga Village/Keweenaw Bay Reservation Waste Water Authority as of February 28, 2005 and February 29, 2004 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented management's discussion and analysis which is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 2005, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Joseph M. Daavetila PC*

Certified Public Accountant

BARAGA VILLAGE/KEWEENAW BAY RESERVATION  
WASTE WATER AUTHORITY

STATEMENTS OF NET ASSETS

	February 28, 2005	February 29, 2004
<u>CURRENT ASSETS</u>		
Cash	\$ 29,944	\$ 28,836
Accounts receivable	14,145	11,447
TOTAL CURRENT ASSETS	\$ 44,089	\$ 40,283
<u>NONCURRENT ASSETS</u>		
Capital assets:		
Wastewater distribution system	\$ 6,285,420	\$ 6,285,420
Less accumulated depreciation	2,732,751	2,542,942
Construction in progress	198,544	-
TOTAL NONCURRENT ASSETS	\$ 3,751,213	\$ 3,742,478
TOTAL ASSETS	\$ 3,795,302	\$ 3,782,761
<u>CURRENT LIABILITIES</u>		
Accounts payable and payroll taxes	\$ 226,976	\$ 34,426
Due to other governmental units	138,583	148,612
Current maturities on long-term debt	88,309	85,489
Accrued interest	-	20
TOTAL CURRENT LIABILITIES	\$ 453,868	\$ 268,547
<u>NONCURRENT LIABILITIES</u>		
Installment contract	45,216	133,415
TOTAL LIABILITIES	\$ 499,084	\$ 401,962
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt:		
Village of Baraga	\$ 2,358,735	\$ 2,480,485
Keweenaw Bay Indian Community	553,745	582,304
Unrestricted:		
Village of Baraga	191,869	159,005
Keweenaw Bay Indian Community	191,869	159,005
TOTAL NET ASSETS	\$ 3,296,218	\$ 3,380,799

The accompanying notes to financial statements  
are an integral part of this statement.

BARAGA VILLAGE/KEWEENAW BAY RESERVATION  
WASTE WATER AUTHORITY

STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS

	<u>Year Ended</u>	
	<u>February 28,</u> <u>2005</u>	<u>February 29,</u> <u>2004</u>
<u>OPERATING REVENUES</u>		
Charges for services	\$ 292,430	\$ 309,056
<u>OPERATING EXPENSES</u>		
Administrative fees	\$ 1,525	\$ -
Salaries	5,875	4,975
Payroll taxes	498	381
Office supplies	203	74
Operating supplies	5,671	22,944
Contracted services - Village of Baraga	124,213	115,455
Contracted services - other	5,992	10,865
Repairs and maintenance	74	1,136
Insurance	4,195	3,942
Utilities	18,877	16,101
Provision for depreciation	189,809	181,255
Equipment rental	10,114	7,489
Miscellaneous expense	-	389
TOTAL OPERATING EXPENSES	<u>\$ 367,046</u>	<u>\$ 365,006</u>
NET INCOME (LOSS) FROM OPERATIONS	(\$ 74,616)	(\$ 55,950)
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest expense	(\$ 9,965)	(\$ 15,773)
CHANGE IN NET ASSETS	(\$ 84,581)	(\$ 71,723)
Total net assets, beginning of year	<u>3,380,799</u>	<u>3,452,522</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 3,296,218</u>	<u>\$ 3,380,799</u>

The accompanying notes to financial statements  
are an integral part of this statement.

BARAGA VILLAGE/KEWEENAW BAY RESERVATION  
WASTE WATER AUTHORITY

STATEMENTS OF CASH FLOWS

	<u>Year Ended</u>	
	<u>February 28,</u> <u>2005</u>	<u>February 29,</u> <u>2004</u>
<u>CASH FLOWS PROVIDED BY (USED IN)</u>		
<u>OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 289,731	\$ 308,653
Payments to suppliers	( 181,028)	( 172,552)
Payments to employees	( 6,373)	( 5,356)
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	<u>\$ 102,330</u>	<u>\$ 130,745</u>
<u>CASH FLOWS PROVIDED BY (USED IN) CAPITAL</u>		
<u>AND RELATED FINANCING ACTIVITIES</u>		
Payments for acquisition or construction of capital assets	(\$ 5,859)	(\$ 140,728)
Due to other governmental units	-	116,840
Payments on installment obligation	( 85,378)	( 73,719)
Interest paid	( 9,985)	( 15,773)
CASH FLOWS PROVIDED BY (USED IN)		
CAPITAL AND RELATED FINANCING ACTIVITIES	(\$ <u>101,222</u> )	(\$ <u>113,380</u> )
NET INCREASE (DECREASE) IN CASH	\$ 1,108	\$ 17,365
Cash at beginning of year	<u>28,836</u>	<u>11,471</u>
Cash at end of year	<u>\$ 29,944</u>	<u>\$ 28,836</u>
<u>RECONCILITATION OF OPERATING INCOME (LOSS) TO</u>		
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Operating income (loss)	(\$ 74,616)	(\$ 55,950)
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation	189,809	181,255
Changes in assets and liabilities:		
Accounts receivable	( 2,699)	( 403)
Accounts payable and payroll taxes	( 135)	2,506
Accrued expenses	-	( 754)
Due to other governmental units	( <u>10,029</u> )	<u>4,091</u>
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	<u>\$ 102,330</u>	<u>\$ 130,745</u>

The accompanying notes to financial statements  
are an integral part of this statement.

BARAGA VILLAGE/KEWEENAW BAY RESERVATION  
WASTE WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
February 28, 2005 and February 29, 2004

NOTE A -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Village of Baraga (Village) and the Keweenaw Bay Indian Community (Community) entered into an agreement on September 27, 1995, for the purpose of creating the Baraga Village/Keweenaw Bay Reservation Waste Water Authority Board. The Authority shall own, operate, and maintain a joint waste water treatment facility and associated system components. The Keweenaw Bay Indian Community and the Village of Baraga shall be equal partners in and shall jointly operate the Waste Water System. The Authority shall employ the Village of Baraga as System Operator to operate and maintain the system and shall pay the Village for such services. This agreement expires January 1, 2100, unless extended by agreement of both parties.

The Authority Board consists of five trustees. Two trustees are appointed by the Baraga Village Council, two trustees are appointed by the Keweenaw Bay Tribal Council, and one trustee appointed by unanimous decision of the four aforementioned trustees. Each trustee serves a three year term. The Authority provides waste water treatment services to the Village of Baraga and the Keweenaw Bay Indian Community. The accompanying financial statements include only the Baraga Village/Keweenaw Bay Reservation Waste Water Authority and do not include any other governmental agencies or departments.

The Baraga Village/Keweenaw Bay Reservation Waste Water Authority began operations September 1, 1996.

REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," the financial statements of the Baraga Village/Keweenaw Bay Reservation Waste Water Authority contain all of the financial activity of the Authority's funds. The Authority is not considered a component unit of either the Village or the Community. Elements considered in determining that the Authority is not a component unit of the Village or the Community are as follows:

1. The Village or the Community are not responsible for the designation of the Authority's management.
2. The Village or the Community do not approve the Authority's annual budget or budget amendments.
3. The Village or the Community do not significantly influence operations.
4. The Village or the Community each appoint two of the five members to the Authority's Board of Trustees.
5. The Village or the Community do not have significant fiscal management responsibilities.



BARAGA VILLAGE/KEWEENAW BAY RESERVATION  
WASTE WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)  
REPORTING ENTITY (CONTINUED)

6. The Village or the Community provide no direct on-going financial support to the Waste Water Authority.
7. The Village or the Community do not hold title to the physical assets of the Authority.

Financial transactions between the Village or the Community and the Authority, reported in the accompanying financial statements, constitute contractual agreements for providing services. The Village and the Community should account for their investment in the Authority, using the Equity method, as required by generally accepted accounting principles.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied. The accounting policies of the Baraga Village/Keweenaw Bay Reservation Waste Water Authority conform to generally accepted accounting principles. The Authority utilized the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

ASSETS AND LIABILITIES

1. Cash - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.
2. Receivables - All receivables are considered to be fully collectible.
3. Capital assets - Capital assets include property, plant and equipment. Capital assets are recorded at historical cost on the Statement of Net Assets along with accumulated depreciation.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Sewer system and improvements	20-35 years
Equipment	5-10 years

USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BARAGA VILLAGE/KEWEENAW BAY RESERVATION  
WASTE WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

BUDGETARY DATA

The procedures in establishing the budget are as follows:

1. The Chairman prepares and submits to the Board a proposed operating budget prior to commencement of the fiscal year. The operating budget includes proposed expenditures and means of financing them and is stated on a basis consistent with generally accepted accounting principles.
2. The Board formally adopts the finalized operating budget at a regular public meeting held prior to the commencement of the fiscal year.
3. Board administration is authorized to transfer budgeted amounts between line items within departmental budgets with post transfer Board approval.
4. Formal budgetary integration is employed as a management control device during the year.

NOTE B - CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in one financial institution in the name of the Baraga Village/Keweenaw Bay Reservation Waste Water Authority.

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy as required by Act 196 PA 1997 has been adopted by the Authority. The Authority's deposits and investments are in accordance with statutory authority.

BARAGA VILLAGE/KEWEENAW BAY RESERVATION  
WASTE WATER AUTHORITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - CASH AND INVESTMENTS (CONTINUED)

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

	<u>Carrying Amounts</u>
Insured (FDIC)	\$ 29,944
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>\$ 29,944</u>

	<u>Bank Balances</u>
Insured (FDIC)	\$ 30,111
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>\$ 30,111</u>

The Authority's deposits are categorized below in accordance with GASB Standards No. 3 to give an indication of the level of credit risk assumed by the Authority at year-end. These categories do not disclose market risk, nor do they measure the risk that an insurer of securities would be unable to fulfill its obligations. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the Authority or its agent in the Authority's name.

Category 2 - Collateralized with securities held by the pledge of financial institution's trust department or agent in the Authority's name.

Category 3 - Uncollateralized, including any bank balance that is collateralized with securities held by the pledge of financial institutions, or its trust department or agent but not in the Authority's name.

At February 28, 2005 the Authority's balances were as follows:

	(1)	(2)	(3)	Bank Balance	Carrying Amount
Local and Area banks	<u>\$ 30,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,111</u>	<u>\$ 29,944</u>

The Authority had no significant type of investment during the year not included in the above schedule.

For all deposits shown, the market value at the balance sheet date is substantially the same as the carrying amount. The difference between the bank balance and carrying amount is due to outstanding checks and/or deposits in transit.

BARAGA VILLAGE/KEWEENAW BAY RESERVATION  
WASTE WATER AUTHORITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated -				
Construction in progress	\$ -	\$ 198,544	\$ -	\$ 198,544
Capital assets being depreciated:				
Property and equipment	\$6,285,420	\$ -	\$ -	\$6,285,420
Less accumulated depreciation	<u>2,542,942</u>	<u>189,809</u>	<u>\$ -</u>	<u>2,732,751</u>
Total capital assets being depreciated, net of depreciation	<u>\$3,742,478</u>	<u>(\$ 189,809)</u>	<u>\$ -</u>	<u>\$3,552,669</u>
TOTAL CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$3,742,478</u>	<u>\$ 8,735</u>	<u>\$ -</u>	<u>\$3,751,213</u>

NOTE D - DUE TO OTHER GOVERNMENTAL UNITS

As of February 28, 2005, the Authority owes the Village of Baraga \$138,583 for expenses incurred and capital assets purchased by the Village in its role as System Operator.

NOTE E - LONG-TERM DEBT

The Keweenaw Bay Indian Community entered into an installment contract with the First of America Bank and transferred it to the Baraga Village/Keweenaw Bay Reservation Waste Water Authority Board to allow for the Board to pay off the Farmers Home Administration indebtedness on the current system. The principal amount borrowed under the installment obligation was \$700,000. Terms of repayment required monthly payments of \$7,784 which includes interest computed at 5.95%. Maturity date was August 13, 2006. This note was refinanced for \$287,915 with monthly payments beginning May 2003 of \$7,611, which includes interest computed at 3.25%. Maturity date is August, 2006.

Long-term debt liability activity for the year ended February 28, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Installment contract	\$ 218,904	\$ -	\$ 85,379	\$ 133,525

Debt service requirements at February 28, 2005 were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 88,309	\$ 3,024	\$ 91,333
2006	<u>45,216</u>	<u>425</u>	<u>45,641</u>
	<u>\$ 133,525</u>	<u>\$ 3,449</u>	<u>\$136,974</u>

BARAGA VILLAGE/KEWEENAW BAY RESERVATION  
WASTE WATER AUTHORITY BOARD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - LONG-TERM DEBT (CONTINUED)

On September 1, 1996, the Village of Baraga transferred \$1,373,000 of sewer disposal system revenue bonds to the Baraga Village/Keweenaw Bay Reservation Waste Water Authority which in turn paid off these bonds with the contribution from the Keweenaw Bay Indian Community.

NOTE F - CONTRIBUTED CAPITAL

	<u>Village</u>	<u>KBIC</u>	<u>Total</u>
Capital contributed to the Authority March 1, 2004	\$2,480,485	\$582,304	\$3,062,789
Deduct - depreciation on property, plant and equipment contributed to the Authority	( 121,750)	( 28,559)	( 150,309)
TOTAL CONTRIBUTED CAPITAL AT FEBRUARY 28, 2005	<u>\$2,358,735</u>	<u>\$553,745</u>	<u>\$2,912,480</u>

NOTE G - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains insurance coverage through the Michigan Municipal League which covers each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority.

**JOSEPH M. DAAVETILA, P.C.**

*Certified Public Accountant*

417 Shelden Avenue, P.O. Box 488

Houghton, Michigan 49931

June 29, 2005

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees

Baraga Village/Keweenaw Bay Reservation

Waste Water Authority

Baraga, MI 49908

We have audited the financial statements of Baraga Village/Keweenaw Bay Reservation Waste Water Authority as of and for the years then ended February 28, 2005 and February 29, 2004, and have issued our report thereon dated June 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Baraga Village/Keweenaw Bay Reservation Waste Water Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under "Government Auditing Standards." However, we noted certain immaterial instances of noncompliance in previous years that we have reported to management of the Baraga Village/Keweenaw Bay Reservation Waste Water Authority, in a separate letter dated June 29, 2005.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Baraga Village/Keweenaw Bay Reservation Waste Water Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material

weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Baraga Village/Keweenaw Bay Reservation Waste Water Authority, in a separate letter dated June 29, 2005.

This report is intended for the information of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

*Joseph M. Daulton PC*

Certified Public Accountant

JOSEPH M. DAAVETILA, P.C.  
*Certified Public Accountant*  
417 Sheldon Avenue, P.O. Box 488  
Houghton, Michigan 49931

June 29, 2005

The Honorable Chairman and Members  
Baraga Village/Keweenaw Bay Reservation  
Waste Water Authority  
Baraga, MI 49908

Management Letter

During our examination of the Baraga Village/Keweenaw Bay Reservation Waste Water Authority, we made certain observations of the accounting system upon which we submit the following comments and recommendations:

Administrative Procedures

Payroll tax forms were not filed in a timely manner during the previous year. Management has taken the necessary steps to correct this problem.

Should any Board members wish to discuss the audit with us, feel free to contact our office at any time. Thank you for selecting our firm to perform the year end audit.

*Joseph M Daaветtла PC*

Certified Public Accountant